

VILLAGE OF MILLERSBURG
Annual Financial Statements
For the Fiscal Year Ended March 31, 2005

Village of Millersburg

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Midwest Professionals, P.L.L.C.

Certified Public Accountants

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To the Board of Directors
Village of Millersburg
Millersburg, Michigan

We have reviewed the accompanying financial statements of the governmental activities, the business-type activities, the General fund, Major & Local Street funds, and the Water proprietary fund of the Village of Millersburg, as of March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Village of Millersburg.

A review consists principally of inquiries of Village personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

The management's discussion and analysis on pages 2-12 and budgetary comparison information on pages 35-38, are not a required part of the basic financial statements but are supplementary information required by the *Governmental Accounting Standards Board* under GASB 34. This is the first year that GASB 34 has been implemented (*See Note 10 on page 32*). Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we not express an opinion or any other form of assurance on the supplementary information.

Midwest Professionals, PLLC
Midwest Professionals, P.L.L.C.

May 19, 2005
Gaylord, Michigan

*Member of American Institute of Certified Public Accountants
Member of Michigan Association of Certified Public Accountants*

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

This section of The Village of Millersburg's annual financial report presents our discussion and analysis of The Village's financial performance during the fiscal year that ended on March 31, 2005. Please read it in conjunction with The Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The total cost of basic programs, excluding capital outlay and debt payments was \$119,553
- Revenues were at \$117,199 while expenses, capital outlay and debt payments were \$114,928
- The Village entered into a lease with Ford Motor Company for a new plow truck that is being rented by the Major and Local Street funds.
- The Village reduced its outstanding long-term debt by \$11,069.
- The Village has a positive fund balance in the General Fund of \$68,218
- The Village has positive fund balances in the Major and Local Street funds of \$10,966 and \$44,077 respectively.
- The Water fund has a positive net asset balance of \$467,192.

OVERVIEW OF THE FINANCIAL STATEMENTS

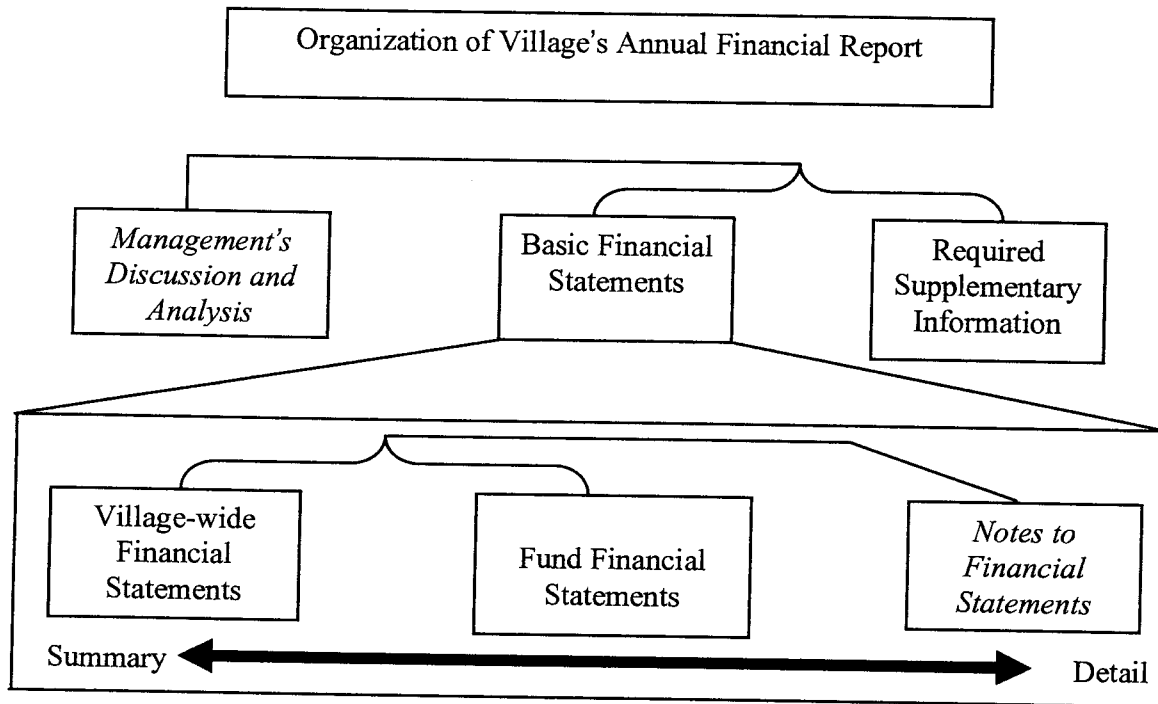
This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements which include two kinds of statements that present different views of the Village, and required supplementary information.

- The first two statements are Village-wide financial statements that provide both short-term and long-term information about The Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village, reporting the Village's operations in more detail. The governmental fund statements tell how basic services such as clerk and treasurer activities, board activities, building & grounds maintenance and street light operations were financed. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.
- The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of The Village's budget for the year.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

The following chart illustrates how the various parts of this annual report are arranged and related to one another.



Village-wide financial statements. The *Village-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the Village's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Both of the Village-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*Governmental Activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*Business-type Activities*). The governmental activities of the Village include general government, public works (which includes the public works expenses for Major and Local Streets) and community promotions. The business-type activities of the Village are for Water distribution to the community.

The Village-wide financial statements can be found on pages 13 & 14 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two of three categories normally used by governments: *governmental funds* and *proprietary funds*. The third category, *fiduciary funds*, is not currently used by the Village.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Village-wide financial statements. However, unlike the Village-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Village-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the Village-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and the local street fund. These statements can be found on pages 15 & 16 of this report.

The Village adopts an annual budget for its general fund, major street fund, and local street fund. A budgetary comparison statement has been provided for the general fund, major street fund and local street fund. These statements can be found on pages 35 - 37 of this report.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Proprietary funds. The Village maintains one proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the Village-wide financial statements. The Village uses the enterprise fund to account for its Water Department operations.

Proprietary funds provide the same type of information as the Village-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 - 20 of this report. A budgetary comparison can be found on page 38 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. As was mentioned earlier, the Village does not currently have a fiduciary fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the Village-wide and fund financial statements. The notes to the financial statements can be found on page 21 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Village's budgets. Comparison statements are provided to show budget to actual information and related variances. The required supplementary information statements can be found starting on page 35 of this report.

VILLAGE-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$754,053 at the close of the most recent fiscal year.

By far the largest portion of the Village's net assets (77%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Summary of The Village's Net Assets

	Governmental Activities	Business-type Activities	Total
Current Assets	\$ 143,498	\$ 65,407	\$ 208,905
Noncurrent Assets	221,895	586,985	808,880
Total Assets	365,393	652,392	1,017,785
Current Liabilities	29,101	12,200	41,301
Long-term Debt Outstanding	49,431	173,000	222,431
Total Liabilities	78,532	185,200	263,732
Net Assets:			
Invested in Capital Assets, Net of Related Debt	163,600	410,985	574,585
Restricted	73,276	23,700	96,976
Unrestricted	49,984	32,507	82,491
Total Net Assets	\$ 286,861	\$ 467,192	\$ 754,053

The comparison of current year to prior financial information is not possible this year as the Village has just implemented GASB 34. Comparisons will be made in future years as data is accumulated under the new GASB 34 accounting standard.

An additional portion of the Village's net assets (13%) represents resources that are subject to external or internal restrictions on how they may be used. The remaining balance of *unrestricted net assets* \$82,491 may be used to meet the Village's ongoing obligations to citizens and creditors.

There was a decrease of \$14,600 in unrestricted net assets reported by the business-type activity (Water Department). A portion of this decrease was due to annual depreciation expense. The remainder of the decrease was due to interest expense on long-term debt owed to the Department of Agriculture for the water system.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Summary of The Village's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program Revenues:			
Charges for Services	\$ 30,201	\$ 37,977	\$ 68,178
Operating Grants & Contributions	39,114	-	39,114
General Revenues:			
Property Taxes	21,338	-	21,338
State-shared Revenues	22,962	-	22,962
Other:			
Interest and Other	3,585	485	4,070
Total Program Revenues	117,200	38,462	155,662
Expenses:			
General Government	56,418	-	56,418
Public Works	22,965		22,965
Public Works - Highways/Streets	31,523		31,523
Community Promotions	4,879		4,879
Interest on Long-term Debt	3,767		3,767
Water Service Expenses	-	53,062	53,062
Total Expenses	119,553	53,062	172,615
Decrease in Net Assets	\$ (2,354)	\$ (14,600)	\$ (16,954)

The comparison of current year to prior financial information is not possible this year as the Village has just implemented GASB 34. Comparisons will be made in future years as data is accumulated under the new GASB 34 accounting standard.

Governmental Activities. Governmental activities decreased the Village's net assets by \$2,354, thereby accounting for 14% of the total decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Interest expenses paid on the Capital Lease Obligations for a new truck which is being rented to the Major and Local Street Funds.
- Depreciation expenses charged for amortization of the new truck and Village owned capital assets to include buildings, equipment, streets, sidewalks, and the bridge.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Business-type activities. Business-type activities decreased the Village's net assets by \$14,600 accounting for 86% of the total decrease in the Village's net assets. Key elements of this decrease are as follows:

- Interest paid on debt for the Water system infrastructure.
- Depreciation expenses charged for amortization of Water Department capital assets.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$123,261. Of this total balance, \$49,984 is *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of \$73,277 in the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to cover \$79 in the tax collections cash account, 2) to cover community enrichment programs developed by the Village; namely the \$50 in the "Random Acts of Kindness" account and the \$100 in "Community Youth Program", 3) to cover the \$950 in the Depot account, 4) to cover the \$17,054 in the "Gertz Foundation" account, and 5) to cover the Major and Street Fund related fund balances for \$10,966 and \$40,077 respectively.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$49,984, while total fund balance was \$68,218. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 60% of total general fund expenditures, while total fund balance represents 79% of that same amount.

The fund balance of the Village's general fund decreased by \$5,618 during the current fiscal year. The key factor for this decrease is as follows:

- There was a capital outlay of \$6,850 for improvements to a Village building.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

Proprietary fund. The Village's only proprietary fund provides the same type of information found in the Village-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund at the end of the year amounted to \$32,507. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's business-type activities.

BUDGETARY HIGHLIGHTS

The Village prepared annual budgets for the year. The budget had not been modified throughout the year.

The following variances between actual results and budgeted expectations for the Village's governmental funds are of particular interest:

- The General fund showed a favorable total revenue variance of \$15,387 over budgeted amounts and an unfavorable total expenditure variance of \$21,006 over budgeted amounts for a net unfavorable variance of \$5,619.
- The Major Street fund showed a favorable total revenue variance of \$2,847 over budgeted amounts, an unfavorable total expenditure variance of \$1,667 over budgeted amounts, and an unfavorable total transfer variance of \$727 over budgeted amounts for a net favorable variance of \$453.
- The Local Street fund showed a favorable total revenue variance of \$655 over budgeted amounts, a favorable total expenditure variance of \$5,904 under budgeted amounts, and a favorable total transfer variance of \$727 under the budgeted amount for a net favorable variance of \$7,286.

The overall result of budget variances for all governmental funds was a total net favorable variance of \$1,214.

The Village had also prepared a budget for the Water fund to facilitate monitoring the proprietary fund's activities. The following variances between actual results and budgeted expectations for the Village's proprietary fund are of particular interest:

- The Water fund showed a favorable revenue variance of \$3,632 over the budgeted amount, a favorable total expense variance of \$2,013 under budgeted amounts, and a favorable total non-operating revenue variance of \$420 over the budgeted amount for a total net favorable variance of \$6,065.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

During prior years and by the end of fiscal year ending March 31, 2005, the Village has invested \$808,880 in capital assets (net of accumulated depreciation). Prior to March 31, 2004, capital assets and related depreciation had not been reported in the governmental funds. The Village-wide *statement of net assets* includes capital assets as part of its asset balance just like a private-sector business would (e.g., the Water fund). The Water fund business-type activity has always included its capital assets in its statement of net assets.

In order to report capital assets on the statement of net assets for governmental activities, it was necessary to compile information on capital assets acquired by the Village as far back as twenty years ago. Depreciation rules were applied using the straight-line method and useful lives appropriate for the asset to determine the net book values of assets still held by the Village. This investment is comprised of capital assets included in the categories listed in the following summary:

Summary of The Village's Capital Assets – Net of Depreciation

	Governmental Activities	Business-type Activities	Total
Land	\$ 51,064	\$ 2,650	\$ 53,714
Buildings	35,022		35,022
Furniture & Fixtures	4,271	-	4,271
Equipment	219	-	219
Capital Lease - Truck	73,367	-	73,367
Streets and Bridge Infrastructure	57,952		57,952
Water Department Assets	-	584,335	584,335
	<u>\$ 221,895</u>	<u>\$ 586,985</u>	<u>\$ 808,880</u>

Additional information on the Village's capital assets can be found in Note 5 on page 27 of this report.

Major capital asset events during the current fiscal year included the following:

- The Village paid for a roof for the Village office which cost \$6,850 increasing net assets by 3%.
- The Village sold the old street equipment for \$1,500 which was considered fully depreciated.
- All capital assets with net book values held by the Village were included in the Village-wide *statement of net assets* per GASB 34.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

- The Water fund business-type activity made \$12,500 in major repairs to the water system equipment which was capitalized and thereby increased net assets in the Water fund by 2%.

Long-term Debt

At the end of the current fiscal year, the Village's governmental activities had total long-term debt of \$58,295 consisting of a capital lease for a new truck.

The Village's business-type activity (Water Department) had total long-term debt of \$176,000 consisting of a revenue bond due to the Department of Agriculture for the Water system infrastructure and equipment.

Summary of The Village's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
Governmental Activities:			
Capital Lease Liability - Truck	\$ 58,295	\$ -	\$ 58,295
Business-type Activities:			
United States Dept of Agriculture Revenue Bond		176,000	176,000
	<u>\$ 58,295</u>	<u>\$ 176,000</u>	<u>\$ 234,295</u>

Additional information on the Village's long-term debt can be found in Note 8 on page 30 of this report.

Major long-term debt events during the current fiscal year included the following:

- \$12,836 in Capital Lease obligations, consisting of \$9,069 in principal and \$3,767 in interest, were paid during the fiscal year on the truck capitalized by the Village as a capital asset in its *statement of net assets* under governmental activities.
- The business-type activity (Water Department) paid \$2,000 in principal and \$9,293 in interest to the United States Department of Agriculture to reduce its obligation on the Revenue Bond.

VILLAGE OF MILLERSBURG

Management Discussion and Analysis

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Village's financial forecast is optimistic heading into the 2005/2006 Village year.

- There are plans to repave Elm Street during the next fiscal year.
- The Village plans to expand the youth program during the next fiscal year and has received grant money from Presque Isle Electric to help with expenses.
- The millage rate will remain the same for the next fiscal year.
- Water fees are expected to remain the same for the next fiscal year.
- The Village has budgeted for normal operations in all funds and has considered the cost of repaving Elm Street.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide its readers with a general overview of The Village's finances and to demonstrate The Village's accountability for the money it receives. If you have questions about this report or need additional information, contact The Village's office at:

Village of Millersburg
5201 Peterman Street
Millersburg, Michigan 49759

Village Clerk
(989) 733-6337

VILLAGE OF MILLERSBURG**Statement of Net Assets
March 31, 2005**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and Cash Equivalents (<i>Note 3</i>)	\$ 41,001	\$ 39,484	\$ 80,485
Restricted Cash and Cash Equivalents (<i>Note 3</i>)	80,348	23,700	104,048
Accounts Receivable (<i>Note 4</i>)	5,463	2,223	7,686
Due From Other Funds (<i>Note 6</i>)	16,686	-	16,686
Capital Assets - Net of Depreciation (<i>Note 5</i>)	221,895	586,985	808,880
Total Assets	365,393	652,392	1,017,785
Liabilities			
Accounts Payable (<i>Note 6</i>)	10,964	562	11,526
Accrued Liabilities (<i>Note 6</i>)	1,226	-	1,226
Due To Other Funds (<i>Note 6</i>)	8,047	8,639	16,686
Long-term Debt			
Due In one Year			
Capital Lease Liability	8,864	3,000	11,864
Due In More Than One Year (<i>Note 8</i>)			
Capital Lease Liability	49,431	173,000	222,431
Total Liabilities	78,532	185,200	263,732
Net Assets (<i>Note 9</i>)			
Investment in Capital Assets - Net of Related Debt (Note	163,600	410,985	574,585
Restricted For:			
Streets and Highways	55,043	-	55,043
Tax Account	79	-	79
Designated Activities	18,154	-	18,154
Business-type Activities	-	23,700	23,700
Unrestricted	49,984	32,507	82,491
Total Net Assets	\$ 286,861	\$ 467,192	\$ 754,053

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Statement of Activities For the Year Ended March 31, 2005

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Primary Government	
			Governmental Activities	Business-type Activities
Expenses				Total
General Government	56,418	30,201	(26,218)	(26,218)
Public Works	54,488	-	(15,375)	(15,375)
Community Promotions	4,879	39,114	(4,879)	(4,879)
Interest on Long-term Debt	3,767	-	(3,767)	(3,767)
Total Governmental Activities	119,553	39,114	(50,239)	(50,239)
Business-type Activities - Water	53,062	-	(15,085)	(15,085)
Total Primary Government	\$ 172,615	\$ 39,114	(50,239)	(65,323)
General Revenues:				
Property Taxes			21,338	21,338
State-shared Revenues			22,962	22,962
Investment Earnings - Interest			620	1,105
Other			2,965	2,965
Total General Revenues			47,885	48,370
Change in Net Assets			(2,354)	(16,954)
Net Assets - Beginning of the Year			289,215	771,007
Net Assets - End of the Year			\$ 286,861	\$ 467,192
			\$ 467,192	\$ 754,053

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Governmental Funds Balance Sheet March 31, 2005

		Special Revenue Funds		Totals
	General Fund	Major Streets	Local Streets	Governmental Funds
Assets				
Assets				
Cash and Cash Equivalents (Note 3)	\$ 41,001	\$ -	\$ -	\$ 41,001
Restricted Cash and Cash Equivalents (Note 3)	18,233	20,280	41,835	80,347
Accounts Receivable (Note 4)	5,463	-	-	5,463
Due From Other Funds (Note 6)	13,408	-	3,278	16,686
Total Assets	<u>\$ 78,106</u>	<u>\$ 20,280</u>	<u>\$ 45,112</u>	<u>\$ 143,497</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable (Note 6)	\$ 8,663	\$ 2,262	\$ 39	\$ 10,964
Accrued Liabilities (Note 6)	1,226	-	-	1,226
Due To Other Funds (Note 6)	-	7,052	995	8,047
Total Liabilities	<u>9,889</u>	<u>9,314</u>	<u>1,034</u>	<u>20,237</u>
Fund Balances (Note 9)				
Reserved for:				
Streets and Highways	-	10,966	44,077	55,043
Tax Account	79	-	-	79
Designated Activities	18,154	-	-	18,154
Unreserved for:				
General Fund	49,984	-	-	49,984
Total Fund Balances	<u>68,218</u>	<u>10,966</u>	<u>44,077</u>	<u>123,261</u>
Total Liabilities and Fund Balances	<u>\$ 78,106</u>	<u>\$ 20,280</u>	<u>\$ 45,112</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and are not reported in the funds				221,895
Long-term liabilities are not due and payable in the current period and are not reported in the funds				(58,295)
Net Assets - Governmental Activities				<u>\$ 286,861</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Governmental Funds
Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended March 31, 2005**

		Special Revenue Funds		Total
	General Fund	Major Streets	Local Streets	Governmental Funds
Revenues				
Property Tax Revenues	\$ 21,338	\$ -	\$ -	\$ 21,338
State of Michigan - Revenue Sharing	22,962	-	-	22,962
Michigan Transportation Fund	-	27,910	11,204	39,114
Interest	322	108	190	620
Equipment rental	8,845	-	-	8,845
Cost recovery	21,356	-	-	21,356
Other Income	2,965	-	-	2,965
Total Revenues:	77,787	28,017	11,395	117,199
Expenditures				
General Government	53,179	-	-	53,179
Public Works	5,661	20,437	11,086	37,183
Community Promotions	4,879	-	-	4,879
Capital Outlay	6,850	-	-	6,850
Debt Payments	12,836	-	-	12,836
Total Expenditures:	83,405	20,437	11,086	114,928
Excess of Revenue Over Expenditures	(5,618)	7,580	309	2,271
Other Financing Sources (Uses)				
Transfers - out	-	(6,977)	-	(6,977)
Transfers - in	-	-	6,977	6,977
Total Other Financing Sources (Uses):	-	(6,977)	6,977	-
Net Changes in Fund Balances	(5,618)	603	7,286	2,271
Fund Balances - Beginning of the Year	73,836	10,363	36,791	120,990
Fund Balances - End of the Year	<u>\$ 68,218</u>	<u>\$ 10,966</u>	<u>\$ 44,077</u>	<u>\$ 123,261</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended March 31, 2005

Net Changes in Fund Balances - Total Governmental Funds **\$ 2,271**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, these costs are allocated over their useful lives as depreciation.

Capital Outlay	\$ 6,850	
Depreciation	<u>(20,544)</u>	
		(13,694)

Payments for Capital Lease principal is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt)

Debt Payments	\$ 12,836	
Interest in Payments	<u>(3,767)</u>	
		9,069

Change in Net Assets of Governmental Activities **\$ (2,354)**

VILLAGE OF MILLERSBURG**Proprietary Fund
Statement of Net Assets
March 31, 2005**

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 39,484	\$ 39,484
Restricted Cash and Cash Equivalents	23,700	23,700
Accounts Receivable	2,223	2,223
Total Current Assets	65,407	65,407
Noncurrent Assets - Capital Assets Net of Depreciation	586,985	586,985
Total Assets	652,392	652,392
Liabilities		
Current Liabilities		
Accounts Payable	562	562
Due to Other Funds	8,639	8,639
Current Portion of Long-term Debt	3,000	3,000
Total Current Liabilities	12,200	12,200
Noncurrent Liabilities		
Long-term Debt - Net of Current Portion	173,000	173,000
Total Noncurrent Liabilities	173,000	173,000
Total Liabilities	185,200	185,200
Net Assets		
Investment in Capital Assets - Net of Related Debt	410,985	410,985
Restricted	23,700	23,700
Unrestricted	32,507	32,507
Total Net Assets	<u>\$ 467,192</u>	<u>\$ 467,192</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Proprietary Fund
Statement of Statement of Revenues, Expenses and
Changes in Net Assets
For the Year Ended March 31, 2005**

	Enterprise Funds	
	Water Fund	Total
Operating Income		
Water Fees	\$ 28,855	\$ 28,855
Hydrant Rentals	9,122	9,122
Total Operating Income	37,977	37,977
Operating Expenses		
Dues and Subscriptions	918	918
Operation Wages	3,262	3,262
Vehicle Expense	560	560
Supplies	765	765
Utilities	2,704	2,704
Internet Fees	212	212
Equipment Rental	81	81
Depreciation	20,665	20,665
Water Testing	491	491
Contracted Services	1,500	1,500
Postage and Delivery	528	528
Equipment Repairs	95	95
Telephone	460	460
Administrative Cost	5,382	5,382
Space Cost	5,421	5,421
Fringe Cost	609	609
Miscellaneous	116	116
Total Operating Expenses	43,770	43,770
Operating Income (Loss)	(5,792)	(5,792)
Nonoperating Revenue (Expense)		
Investment Income	485	485
Interest Expense	(9,293)	(9,293)
Total Nonoperating Revenue (Expense)	(8,808)	(8,808)
Income (Loss) Before Other Financing Sources (Uses)	(14,600)	(14,600)
Other Financing Sources (Uses)	-	-
Change in Net Assets	(14,600)	(14,600)
Net Assets - Beginning of the Year	481,792	481,792
Net Assets - End of the Year	<u>\$ 467,192</u>	<u>\$ 467,192</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2005**

	<u>Enterprise Funds</u>	
	<u>Water Fund</u>	<u>Total</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 39,064	\$ 39,064
Payments to vendors	(8,676)	(8,676)
Payments to employees	(3,262)	(3,262)
Payments to other Funds	(9,403)	(9,403)
Net Cash Provided by (Used in) Operating Activities	<u>17,723</u>	<u>17,723</u>
Cash Flows from Capital and Related Financing Activities		
Purchase of Capital Assets	(12,500)	(12,500)
Principal on Debt	(2,000)	(2,000)
Interest on Debt	(9,293)	(9,293)
Net Cash (Used in) Capital and Related Financing Activities	<u>(23,793)</u>	<u>(23,793)</u>
Cash Flows from Investing Activities		
Interest Received	485	485
Net Cash Provided by Investing Activities	<u>485</u>	<u>485</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(5,585)	(5,585)
Cash and Cash Equivalents - Beginning of the Year	<u>68,769</u>	<u>68,769</u>
Cash and Cash Equivalents - End of the Year	<u>\$ 63,184</u>	<u>\$ 63,184</u>
Statement of Net Assets Classification of Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 39,484	\$ 39,484
Restricted Cash and Cash Equivalents	23,700	23,700
Total Cash and Cash Equivalents	<u>\$ 63,184</u>	<u>\$ 63,184</u>
Reconciliation of Operating Income (Loss) to Net Cash From Operating Activities		
Operating Income	\$ (5,792)	\$ (5,792)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:		
Depreciation	20,665	20,665
Changes in Assets and Liabilities		
Accounts Receivable	1,087	1,087
Due to Other Funds	2,009	2,009
Accounts Payable	(246)	(246)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 17,723</u>	<u>\$ 17,723</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Millersburg, Michigan (the "Village") conform to accounting principals generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village:

Reporting Entity

The Village is located in Presque Isle County and was organized in 1901 and covers an area of approximately 1 square mile. The village operates under an elected Board comprised of a President, Treasurer, Clerk and six Trustees.

Government-wide and Fund Financial Statements

The government-wide ("Village-wide") financial statements (i.e., the statement of net assets and statement of activities) report information on all of the nonfiduciary activities of the Village. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, normally supported by taxes and intergovernmental revenues, are reported separately from *business type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements
March 31, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Village-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this period, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund - The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from property taxes, state-shared revenue, and other sources.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Major Streets Special Revenue Fund - The Major Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on major streets.

Local Streets Special Revenue Fund - The Local Streets Fund accounts for the resources of state gas and weight tax revenues, provided by the Michigan Transportation Fund, that are restricted for use on local streets.

Water Fund - The Water Fund accounts for the activities of the water department system. This fund is financed primarily by user charges.

The Water Fund is considered a proprietary fund. Proprietary funds distinguish operating revenue from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our single proprietary fund relates to charges to customers for water related services. The water department recognizes water usage fees, hydrant rentals and hook-up fees intended to recover current costs (e.g., labor, maintenance and supplies) as revenue. Operating expenses for our proprietry fund includes the cost of services, administrative cost, fringe cost, space cost, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

The Village collects property taxes from its residents. Taxes are levied and become due and payable on July 1 of each year. The Village will collect these taxes until October at which time any unpaid tax bills are turned over to Presque Isle County Treasurer for final collections. On March 31 of each year, Presque Isle County determines the amount of levied taxes still due the Village since the previous October. At this time penalties and interest are assessed. The amount of uncollected taxes is disclosed as accounts receivable - delinquent taxes on the balance sheet at the year ending March 31, 2005. On March 31, 2005 the delinquent tax amount due from Presque Isle County was \$5,463 and should be received by the Village during the month of June, 2005.

Total taxable value for the Village is \$3.391 million with an operating millage rate of 6.5475 which generated total tax revenue for the fiscal year of \$21,338.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Assets, Liabilities and Net Assets or Equity

Bank Deposits – The Village's Cash and cash equivalents are considered to be cash on hand and are highly liquid. Cash and cash equivalents are comprised of checking accounts, savings accounts and certificates of deposit balances.

Cash Investments – When needed the Village investments only in certificates of deposit.

Restricted Assets – The Water Fund has two accounts that are restricted to facilitate paying the Long-term debt owed to the United States Department of Agriculture for water system capital assets. The general fund also has accounts which are restricted for property tax collections and other designated purposes for "Depot" activities, "Gertz Foundation" activities, "Random Acts of Kindness" activities, and "Community Youth Program" activities.

Receivables – There is a trade accounts receivable balance in the Water Fund for outstanding amounts due from customers for water fees, hydrant rental fees and hook-up fees.

There also exists a property tax receivable for delinquent taxes that is paid to the Village by Presque Isle County during the month of June following the end of the fiscal year.

Activity between funds that are representative of amounts outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.g., administrative, space and fringe costs accrued on behalf of the fund by the general fund that are to be reimbursed to the general fund *or* amounts due to another fund that are required by law or regulation that has not yet been paid).

Capital Assets - Capital assets, which include property, plant, equipment and infrastructure (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Buildings, equipment, vehicles and infrastructure are depreciated using the straight-line method over the following useful lives:

Roads, Bridges and Sidewalks	20 years
Water Distribution System	40 years
Buildings and Building Improvements	40 years
Vehicles	5 to 7 years
Office Furnishings	5 to 7 years
Other Equipment	3 to 7 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

Prior to March 1st the Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at the Village Hall to obtain taxpayer comments. Prior to the third week in March, the budget is legally enacted through passage of a resolution. All budget adjustments are approved by Village Board resolution.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING - Continued

Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

Budgets for the General, Special Revenue, and Capital Projects Funds (when the latter fund is required) are adopted on a modified accrual basis. Budgeted amounts are as originally adopted, or as amended by the Village Board.

The Village also established a budget for the Water Fund.

NOTE 3 - CASH AND CASH EQUIVALENTS

The Village considers all regular deposits and certificates of deposit as cash equivalents since they are highly liquid assets.

All cash deposits of the Village are at FDIC insured banking institutions in the name of the Village of Millersburg. Act 217, PA 1982 authorizes the Village to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States, or an agency of instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance legal for rating agencies within the three highest classifications maturing not more than 270 days after the date of purchase, and involving no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money.

The Village's deposits are in accordance with statutory authority. The Governmental Accounting Standard Board (GASB) Statement No.3 risk disclosures for the Village's cash deposits are as follows:

The following is a schedule that shows cash and cash equivalent risk disclosure in terms of insured and uninsured balances:

	Carrying Amount	Bank Amount	FDIC Insured Amount	Uninsured Amount
Cash and Cash Equivalents	March 31, 2005	March 31, 2005		
Citizens National Bank	\$ 93,216	\$ 92,209	\$ 92,209	\$ -
Huron National Bank	91,317	92,472	92,472	-
Total Cash	<u>\$ 184,533</u>	<u>\$ 184,681</u>	<u>\$ 184,681</u>	<u>\$ -</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 4 – RECEIVABLES

The Delinquent Property Taxes receivable account, which has a balance of \$5,463 as of March 31, 2005, is the only accounts receivable balance in the Village's general, major and local highway funds. This balance is paid to the Village during the month of June by Presque Isle County. The Water Department had an accounts receivable balance of \$2,223 for water fees due from customers as of March 31, 2005.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the fiscal year ended March 31, 2005 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not depreciated:				
depreciated:				
Land	\$ 51,064	\$ -	\$ -	\$ 51,064
Total capital assets, not being depreciated:	51,064	-	-	51,064
Capital assets being depreciated:				
Buildings	59,296	6,850	-	66,146
Furniture and Fixtures	8,432	-	-	8,432
Office Equipment	6,704	-	-	6,704
Capital Lease - Truck	88,040	-	-	88,040
Street Equipment	32,460	-	32,460	-
Streets and Bridge Infrastructure	94,554	-	-	94,554
Total Assets Being Depreciated	289,486	6,850	32,460	263,876
Less accumulated depreciation for:				
Buildings	(29,528)	(1,596)	-	(31,124)
Furniture and Fixtures	(2,737)	(1,424)	-	(4,161)
Office Equipment	(6,266)	(219)	-	(6,485)
Capital Lease - Truck	(2,096)	(12,577)	-	(14,673)
Street Equipment	(32,460)	-	(32,460)	-
Streets and Bridge Infrastructure	(31,874)	(4,728)	-	(36,602)
Total accumulated depreciation	(104,961)	(20,544)	(32,460)	(93,045)
Total capital assets, being depreciated, net	184,525	(13,694)	-	170,831
Governmental activities capital assets, net	\$ 235,589	\$ (13,694)	-	\$ 221,895

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 5 – CAPITAL ASSETS – Continued

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 2,650	\$ -	\$ -	\$ 2,650
Total capital assets, not being depreciated:	2,650	-	-	2,650
Capital assets being depreciated:				
Water Equipment	777,000	-	-	777,000
Water Utility System	9,195	-	-	9,195
Major Repairs	-	12,500	-	12,500
Total Assets Being Depreciated	786,195	12,500	-	798,695
Less accumulated depreciation for:				
Water Equipment	(184,500)	(20,500)	-	(205,000)
Water Utility System	(9,195)	-	-	(9,195)
Major Repairs	-	(165)	-	(165)
Total accumulated depreciation	(193,695)	(20,665)	-	(214,360)
Total capital assets, being depreciated, net	592,500	(8,165)	-	584,335
Business-type activities capital assets, net	595,150	(8,165)	-	586,985

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 3,239
Public Works - Equipment and Infrastructure	17,305
Total depreciation expense - governmental activities	<u>\$ 20,544</u>
Business-type Activities:	
Water system	\$ 20,665
Total depreciation expense - business-type activities	<u>\$ 20,665</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 6 – PAYABLES & ACCRUALS/ INTERFUND RECEIVABLES & PAYABLES / TRANSFERS

Accounts payable balances are for vendor balances that were due at March 31, 2005.

Accrued liabilities are payroll related liabilities that were due at March 31, 2005.

Detail of due from/to other fund balances at March 31, 2005, is as follows:

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 13,408		
		Major Street	\$ 3,774
		Local Street	995
		Water Department	8,639
	<u>13,408</u>		<u>13,408</u>
Local Street	3,278	Major Street	3,278
	<u>\$ 16,686</u>		<u>\$ 16,686</u>

Detail of interfund transfers is as follows:

<u>Transfer Out</u>	<u>Amount</u>	<u>Transfer In</u>	<u>Amount</u>
Major Street	\$ 6,977	Local Street	6,977
Total Transfers Out	<u>\$ 6,977</u>	Total Transfers In	<u>\$ 6,977</u>

NOTE 7 - RETIREMENT PLAN

The Village initiated a money purchase plan effective as of 7/1/91. The trustee/agent is the Lappan Insurance Agency, Alpena, Michigan. Under the terms of the pension plan the Village will fund the plan at 14% of gross payroll. During the fiscal year ending March 31, 2005 the Village contributed a total of \$2,697 to the plan which represents \$2,572 for 14% of \$18,372 in gross wages and a \$125 renewal charge for the plan.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 8 - LONG-TERM DEBT

Long-term liability activity for the fiscal year ended March 31, 2005, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Lease Liability - Truck	\$ 67,364	\$ -	\$ 9,069	\$ 58,295
	<u>\$ 67,364</u>	<u>\$ -</u>	<u>\$ 9,069</u>	<u>\$ 58,295</u>
Business-type Activities:				
United States Dept of Agriculture Revenue Bond	\$ 178,000	\$ -	\$ 2,000	\$ 176,000
	<u>\$ 178,000</u>	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 176,000</u>

Capital Lease – Truck

The Village entered into a capital lease for a Sterling Dump Truck. The total lease price with fees came to \$88,040. The interest rate on the lease is 5.50% and the monthly payments are \$987. The lease will be complete after 84 payments in the fiscal year 2011. At the end of the lease, the Village will purchase the truck for one dollar. The following shows future scheduled minimum lease obligations until the lease is paid in full:

Fiscal Year Ending March 31	Payments	Interest Portion of Payments	Present Value Of Minimum Lease Payments
2006	\$ 11,849	\$ 2,985	\$ 8,864
2007	11,849	2,485	9,364
2008	11,849	1,957	9,892
2009	11,849	1,399	10,450
2010	11,849	810	11,039
Final Year 2011	8,885	199	8,686
Total	<u>\$ 68,130</u>	<u>\$ 9,835</u>	<u>\$ 58,295</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 8 - LONG-TERM DEBT - Continued

Water Department - Enterprise Fund

The long-term debt of the Village Water Department consists of a 40 year Revenue Bond issuance Water Supply System Revenue, 1993, in the amount of \$194,000 issued to the Rural Development - Farmers Home Administration, an agency of the United States Department of Agriculture. The interest rate of the bond is at 5.250% with estimated future maturities of:

<u>Fiscal Year Ending March 31</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,000	\$ 9,000
2007	3,000	9,000
2008	3,000	9,000
2009	3,000	9,000
2010	3,000	9,000
2011 to 2015	19,000	41,000
2016 to 2020	26,000	34,000
2021 to 2025	34,000	26,000
2026 to 2030	46,000	14,000
2031 to Maturity	34,000	22,730
Total	<u>\$ 176,000</u>	<u>\$ 182,730</u>

NOTE 9 - FUND BALANCES AND NET ASSETS

The following reserved fund balances are for capital assets net of depreciation and specific uses of donations made to the General Fund and corresponding cash amounts that are used exclusively by the General Fund and Special Revenue funds for designated purposes.

<u>Fund</u>	<u>Restricted Cash Balance</u>	<u>Reserved Fund Balance</u>
<u>General Fund:</u>		
Capital Assets Net of Depreciation	\$ -	\$ 163,600
Gertz Foundation	17,054	17,054
Current Tax Account	79	79
Depot Fund	950	950
Random Acts of Kindness	50	50
Community Youth Program	100	100
General Fund - Total	<u>18,233</u>	<u>181,833</u>
<u>Special Revenue Funds:</u>		
Major Street	20,280	10,966
Local Street	41,835	44,077
Special Revenue Fund - Total	<u>62,115</u>	<u>55,043</u>
Totals	<u>80,348</u>	<u>236,876</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 9 - FUND BALANCES AND NET ASSETS - Continued

The following shows the reserved and unreserved net assets of the Water Department enterprise fund.

	<u>3/31/2004</u>
Investment in Capital Assets - Net of Related Debt	\$ 410,985
Restricted Net Assets - Cash Investments	23,700
Unrestricted Net Assets	<u>32,507</u>
* Total retained earnings	<u>\$ 434,685</u>

NOTE 10 - GASB 34 REPORTING MODEL - MARCH 31, 2005 - REQUIRED IMPLEMENTATION

Starting with the FYE 3-31-05, the Village is required to adopt a new accounting model based on GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities. Two new Village-Wide financial statements are required in the new model, designed to provide more useful information. Governmental fund accounting statements are still used, but the general fixed assets and the long-term debt account groups are no longer used. General fixed assets and long-term debt are incorporated into the two new Village-wide financial statements. Reconciliations are necessary to show the differences between the Village-Wide statements and the fund accounting statements.

GASB 34 also requires that a Management Discussion and Analysis (MD&A) section and a Required Supplementary Information (RSI) section be included in an audit or review report. The MD&A is meant to be an objective and easily readable analysis of the Village's financial activities prepared by Village management. The RSI requires that budgetary information be included after the notes to the financial statements. These budgetary information schedules will show the original budget, the final budget, the actual activities for the fiscal year and the variances between final budget and actual activities.

Since the of the Village's financial statements from previous years, including fiscal year ending March 31, 2004, were not prepared in accordance with the new reporting model, future financial statements starting with the fiscal year ending March 31, 2005 will not be comparable to any past financial statements including fiscal year ending March 31, 2004 or earlier. The MD&A section of the financial statements for the two years ending March 31, 2006 and 2005 will include comparative information as these will be the first two complete years under the new GASB 34 format.

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS

1) Explanation of certain differences between the governmental fund balance sheet and the Village-wide statement of net assets

The governmental fund balance sheet included a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the Village-wide statement of net assets. One element of the reconciliation explains that:

“long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.”

Another element of the reconciliation explains that:

“capital assets used in governmental activities are not financial resources and therefore are not reported in the funds”

The following is an explanation of the differences stated above:

Capital Lease Liability Element		\$ (58,295)
Capital Assets Element:		
Capital Assets acquired in prior years	\$ 308,090	
Capital assets acquired during the current year	6,850	
Less: Accumulated Depreciation	(93,045)	
Total		<u>221,895</u>
Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>		<u>\$ 163,600</u>
Total Fund Balance - Total Governmental Funds	\$ 123,261	
Net Reconciling Adjustment		<u>163,600</u>
Total Net Assets - Governmental Activities		<u>\$ 286,861</u>

VILLAGE OF MILLERSBURG

Notes to the Financial Statements March 31, 2005

NOTE 11 – RECONCILIATION OF VILLAGE-WIDE AND FUND FINANCIAL STATEMENTS- Continued

2) Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the Village-wide statement of activities

The governmental fund statement of revenues, expenditures and changes in fund balances included a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets – governmental activities* as reported in the Village-wide statement of activities. One element of the reconciliation explains that:

“Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

Another element of the reconciliation explains that:

“Payments for capital lease obligations is an expenditure in the governmental funds, but are not in the statement of activities (where it reduces long-term debt).”

The following is an explanation of the differences stated above:

Capital Outlay Element:

Capital assets acquired during the current year	\$ 6,850	
Less: Accumulated Depreciation	(20,544)	
Total		\$ (13,694)

Capital Lease Principal Payments Element

Debt Payments	\$ 12,836	
Less: Interest in Payments	(3,767)	
Total		9,069

Net adjustment to decrease *net changes in fund balance – total governmental funds* to arrive at *changes in net assets of governmental activities*

\$ (4,625)

Net Changes in Fund Balances - Total Governmental Funds

\$ 2,271

Net Reconciling Adjustment

(4,625)

Changes in Net Assets of Governmental Activities

\$ (2,354)

VILLAGE OF MILLERSBURG

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Property Tax Revenues	\$ 19,400	\$ 19,400	\$ 21,338	\$ 1,938
State of Michigan - Revenue Sharing	22,800	22,800	22,962	162
Interest	200	200	322	122
Equipment rental	3,500	3,500	8,845	5,345
Cost recovery	13,000	13,000	21,356	8,356
Other Income	3,500	3,500	2,965	(536)
Total Revenues	62,400	62,400	77,787	15,387
Expenditures				
General Government				
Administrative Costs:				
Clerk Salary	6,450	6,450	6,450	-
Treasurer Salary	3,000	3,000	3,000	-
Office Supplies	500	500	1,678	(1,178)
IT	1,000	1,000	265	735
Audit	2,000	2,000	4,000	(2,000)
Legal	1,377	1,377	606	771
Postage	200	200	1,172	(972)
Memberships	350	350	330	20
Training & Mileage	200	200	50	150
Total Administrative Costs	15,077	15,077	17,551	(2,474)
Fringe Costs:				
Employee Medicare	150	150	190	(40)
Employee Pension	2,000	2,000	2,697	(697)
Workmans Compensation	500	500	543	(43)
Other	-	-	905	(905)
Total Fringe Costs	2,650	2,650	4,336	(1,685)
Space Costs:				
Water	309	309	402	(93)
Building & Grounds Salary	1,750	1,750	2,500	(750)
Building & Grounds Maintenance	2,063	2,063	4,290	(2,227)
Building & Grounds Insurance	5,000	5,000	7,193	(2,193)
Refuse Disposal	350	350	423	(73)
Supplies	500	500	50	450
Electricity	1,200	1,200	1,696	(496)
Telephone	1,200	1,200	1,263	(63)
Heat	900	900	773	127
Total Space Costs	13,272	13,272	18,589	(5,318)
Village Board:				
Council Meetings	3,240	3,240	2,640	600
Election Supplies	350	350	329	21
Printing & Publishing	250	250	612	(362)
Hydrant Rentals	9,122	9,122	9,122	-
Total Village Board	12,962	12,962	12,703	259
Total General Government	43,961	43,961	53,179	(9,218)

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures - Continued				
Public Works				-
Equipment:				-
Equipment Repair	500	500	1,391	(891)
Supplies	200	200	8	192
Fuel	1,000	1,000	961	39
Repair Salary	200	200	-	200
Total Equipment	1,900	1,900	2,360	(460)
Street Lights	3,500	3,500	3,302	198
Local Street Construction Match	540	540	-	540
Total Public Works	5,940	5,940	5,661	279
Community Promotions				
Community Youth Program	100	100	-	100
Park & Recreation Maintenance	50	50	-	50
Promotional Expenses	500	500	1,057	(557)
Gertz Foundation Expense	-	-	3,822	(3,822)
Total Community Promotions	650	650	4,879	(4,229)
Capital Outlay				
Village Building	-	-	6,850	(6,850)
Principal Payments on Capital Lease	9,069	9,069	9,069	-
Interest Payments on Capital Lease	2,780	2,780	3,767	(987)
Total Capital Outlay	11,849	11,849	19,686	(7,837)
Total Expenditures	62,400	62,400	83,405	(21,006)
Excess of Revenues Over Expenditures	-	-	(5,618)	(5,618)
Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	(5,618)	(5,618)
Fund Balance - Beginning of the Year	73,836	73,836	73,836	-
Fund Balance - End of the Year	<u>\$ 73,836</u>	<u>\$ 73,836</u>	<u>\$ 68,218</u>	<u>\$ (5,618)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

Required Supplemental Information Budgetary Comparison Schedule Major Streets For the Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Michigan Transportation Fund	\$ 25,000	\$ 25,000	\$ 27,910	\$ 2,910
Interest	170	170	108	(62)
Total Revenues	<u>25,170</u>	<u>25,170</u>	<u>28,017</u>	<u>2,847</u>
Expenditures				
Public Works				
Highway Maintenance Wage	700	700	1,498	(798)
Street Maintenance	8,220	8,220	3,561	4,659
Winter Maintenance Wage	200	200	188	13
Winter Snow Removal	1,000	1,000	3,164	(2,164)
Winter Supplies	600	600	825	(224)
Winter Equipment Rental	4,200	4,200	4,148	52
Administrative Costs	1,400	1,400	2,791	(1,391)
Space Costs	2,200	2,200	3,984	(1,784)
Fringe Costs	250	250	280	(30)
Total Public Works	<u>18,770</u>	<u>18,770</u>	<u>20,437</u>	<u>(1,667)</u>
Excess of Revenues Over	<u>6,400</u>	<u>6,400</u>	<u>7,580</u>	<u>1,180</u>
Other Financing (Uses)				
Transfer to Local Streets	<u>(6,250)</u>	<u>(6,250)</u>	<u>(6,977)</u>	<u>(727)</u>
Total Other Financing (Uses)	<u>(6,250)</u>	<u>(6,250)</u>	<u>(6,977)</u>	<u>(727)</u>
Net Change in Fund Balance	<u>150</u>	<u>150</u>	<u>603</u>	<u>453</u>
Fund Balance - Beginning of the Year	<u>10,363</u>	<u>10,363</u>	<u>10,363</u>	<u>-</u>
Fund Balance - End of the Year	<u><u>\$ 10,513</u></u>	<u><u>\$ 10,513</u></u>	<u><u>\$ 10,966</u></u>	<u><u>\$ 453</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Required Supplemental Information
Budgetary Comparison Schedule
Local Streets
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Michigan Transportation Fund	\$ 10,540	\$ 10,540	\$ 11,204	\$ 664
Interest	200	200	190	(10)
Total Revenues	<u>10,740</u>	<u>10,740</u>	<u>11,395</u>	<u>655</u>
Expenditures				
Public Works				
Highway Maintenance Wage	500	500	913	(412)
Street Maintenance	1,790	1,790	1,667	123
Equipment Rental	2,000	2,000	1,043	957
Street Improvement	7,500	7,500	-	7,500
Winter Maintenance Wage	100	100	-	100
Winter Snow Removal	600	600	675	(75)
Winter Supplies	650	650	170	480
Winter Equipment Rental	2,000	2,000	3,728	(1,728)
Administrative Costs	750	750	1,120	(370)
Space Costs	900	900	1,599	(699)
Fringe Costs	200	200	170	30
Total Public Works	<u>16,990</u>	<u>16,990</u>	<u>11,086</u>	<u>5,904</u>
Excess of Revenues Over	<u>(6,250)</u>	<u>(6,250)</u>	<u>309</u>	<u>6,559</u>
Other Financing (Uses)				
Transfer from Major Streets	<u>6,250</u>	<u>6,250</u>	<u>6,977</u>	<u>727</u>
Total Other Financing (Uses)	<u>6,250</u>	<u>6,250</u>	<u>6,977</u>	<u>727</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>7,286</u>	<u>7,286</u>
Fund Balance - Beginning of the Year	<u>36,791</u>	<u>36,791</u>	<u>36,791</u>	<u>-</u>
Fund Balance - End of the Year	<u><u>\$ 36,791</u></u>	<u><u>\$ 36,791</u></u>	<u><u>\$ 44,077</u></u>	<u><u>\$ 7,286</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

VILLAGE OF MILLERSBURG

**Required Supplemental Information
Budgetary Comparison Schedule
Water Fund
For the Year Ended March 31, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenues				
Water Fees	34,345	\$ 34,345	\$ 37,977	\$ 3,632
Total Revenues	<u>34,345</u>	<u>34,345</u>	<u>37,977</u>	<u>3,632</u>
Expenses				
Operating Expenses				
Operating Expenses	27,110	27,110	20,986	6,124
Administrative Costs	3,500	3,500	5,382	(1,882)
Space Costs	3,500	3,500	5,421	(1,921)
Fringe Costs	300	300	609	(309)
Total Operating Expenses	<u>34,410</u>	<u>34,410</u>	<u>32,397</u>	<u>2,013</u>
Operating Income	(65)	(65)	5,580	5,645
Nonoperating Revenue - Interest Income	<u>65</u>	<u>65</u>	<u>485</u>	<u>420</u>
Change in Net Assets Prior to Depreciation	-	-	6,065	6,065
* Non-cash Depreciation Expense	-	-	(20,665)	(20,665)
Change in Net Assets After Depreciation	<u>-</u>	<u>-</u>	<u>(14,600)</u>	<u>(14,600)</u>
Net Assets - Beginning of the Year	<u>481,792</u>	<u>481,792</u>	<u>481,792</u>	<u>481,792</u>
Net Assets - End of the Year	<u><u>\$ 481,792</u></u>	<u><u>\$ 481,792</u></u>	<u><u>\$ 467,192</u></u>	<u><u>\$ 467,192</u></u>

* Depreciation was not considered in the cash basis budget, but is included in this statement to facilitate reconciling the "Actual" column to the Statement of Revenues, Expenses and Changes in Net Assets for the Water Fund.